

# ALERT

## BENEFIT LEGISLATION

Volume I, Number 2

### ***Legislative Provisions Affecting CalSTRS Benefits as of June 4, 2001***

Each year, legislation is introduced that would, if enacted, improve benefits paid to some CalSTRS members who retire in the future. If you are considering retiring soon, you might be interested to know what bills of this type are being considered this year. The *Benefit Legislation Alert* has been developed by CalSTRS to raise member awareness of legislative provisions affecting CalSTRS benefits. Since all legislative proposals are subject to change during the legislative year, please see the box on page two for informational resources to help you keep current on the latest benefit provisions.

#### ***Benefit Legislation Alert***

summarizes only the benefit-increasing provisions that apply to CalSTRS members retiring in the future. Some benefit-increasing proposals that affect CalSTRS members, but are not dependent on when a member retires, have been introduced in the state Legislature. However, those provisions are not included here.

Generally, when legislation becomes law, unless the bill states otherwise, the benefits will become effective on the next January 1 and apply to members who retire on or after the bill's effective date.

Some laws passed in 2000 increasing benefits to future retired CalSTRS members will only affect members retiring after 2001. Summaries of those provisions are included here.

### **Proposals Under Consideration**

#### **SB 334 (Ortiz)**

Increases benefits paid to members who retire for service, reinstate under CalSTRS-covered employment and perform at least two years of credited service and then re-retire. Currently, benefit enhancements apply only to credited service earned after reinstating to CalSTRS-covered employment. Under this bill, all credited service earned during the person's career would be subject to the benefit formula in effect at the time of the subsequent retirement. The two years of credited service can be accrued at any time as long as the member re-retires after the bill is signed into law by the Governor.

#### **SB 1020 (Escutia)**

Requires the state to offer fiscal incentives to increase the school year in grades seven and eight and either grade six or nine by 20 days, or other specified days and hours for year-round schools. A longer school year could increase the salary of affected teachers and therefore, result in a higher retirement allowance.

### **Proposals Held in Committee**

AB 607 and SB 191 have been "held in committee," which means they are not moving forward through the legislative process at this time. The Legislature would need to take special action for these provisions to be considered this calendar year.

#### **AB 607 (Negrete McLeod)**

Eliminates the current 2.4 percent limit in the combined age factor and career factor paid to members with 30 or more years of credited service who retire on or after January 1, 2002.

#### **SB 191 (Karnette)**

Requires CalSTRS to make annual payments to active member Defined Benefit Supplement accounts from 2002 through 2011.

## Deleted Proposed Provision

A provision of AB 135 (Havice) has been removed from the bill. The deleted provision would have based final compensation on the highest compensation earnable for 12 consecutive months for all CalSTRS members, regardless of the number of years of credited service. The remaining provision of AB 135 applies to current and future retired CalSTRS members.

## Enacted Legislation Taking Effect in the Future

### **AB 2456 (Wright) Chapter 897, Statutes of 2000**

Beginning January 1, 2002 or 2003, a member retiring for service after that date and before 2011 and after age 60 can elect to receive a portion of his or her CalSTRS retirement benefit as a lump sum in exchange for a lower monthly allowance. The lump-sum amount that will be available to members is limited and is based on the monthly allowance payable at retirement. The amount of the monthly allowance reduction cannot exceed 15 percent.

### **AB 2700 (Lempert), Chapter 1021, Statutes of 2000**

Beginning July 1, 2002, all compensation for creditable service performed on and after that date will be creditable to CalSTRS. This includes compensation for summer school, intersession, overtime, allowances, stipends and bonuses. Compensation that will now be creditable will be credited to the Defined Benefit Program as additional credited service, up to one year. Member and employer contributions for more than one year of service in any school year will be credited to the member's Defined Benefit Supplement account.

### **SB 1435 (Johnston), Chapter 1032, Statutes of 2000**

Currently, CalSTRS must pay the Medicare Part A premium for members who are not eligible for premium-free Medicare Part A on their own and who retired on or before December 31, 2000. Current law permits the Teachers' Retirement Board to extend the Medicare benefit coverage to members who retire on or after January 1, 2001. The board recently voted to extend this benefit to members retiring through December 31, 2005. Eligibility for this benefit is limited to members who (1) retired from districts that have conducted or are conducting the Medicare election by the time the member retires, and, (2) if the member was under age 58 at the time of election, had elected to be covered by Medicare.

### ***Keep Current on Legislative Changes for Informed Decisions***

Although additional new bills will not be introduced this year, any bill can be amended to make substantial changes to its provisions. Statutory changes are made from time to time that affect CalSTRS benefits and that may affect any decision you make in relation to those benefits. The California Legislature and the Governor make these changes, and legislation may be approved by the Legislature as late as September 14, 2001 and approved by the Governor as late as October 14, 2001.

While CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you.

For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS website

([www.calstrs.ca.gov](http://www.calstrs.ca.gov)) or the CalSTRS Public Service Office (800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe would be helpful before you make any final decision about retirement.

You are ultimately responsible for any decision you make in regard to your CalSTRS benefit.